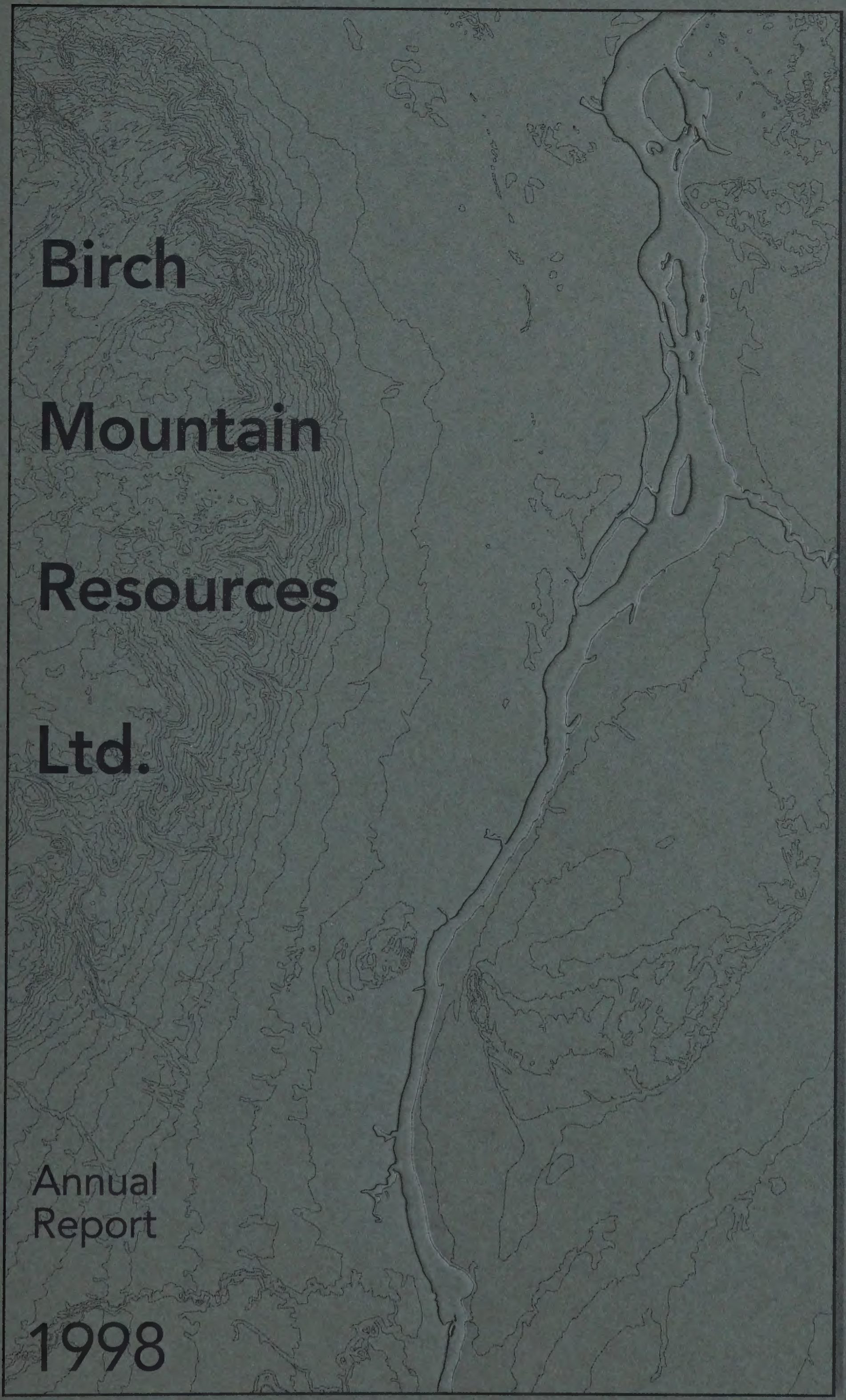


Birch Mountain Resources Ltd.

Annual Report

1998

We have made a quantum step in our understanding of the nature of Prairie Gold mineralization, which has allowed us to make real progress toward our goal of developing a reliable method for determining precious metal grades.

We are more confident than ever that our Prairie Gold project represents a unique opportunity to provide our shareholders with a superior enhancement in value.

A word to our shareholders

In 1998, Birch Mountain concentrated on preserving shareholder value by balancing opportunities with available resources to advance the Company's primary asset—the Prairie Gold project. We feel more confident than ever that the Prairie Gold project is a unique opportunity to provide our shareholders with a superior enhancement in value, and as a result, we strategically allocated 74% of our exploration funds to this project in 1998.

Anticipating a period of refinancing difficulty for junior mining companies as gold prices remained below $300 and market conditions showed few signs of strengthening, we redefined our key priorities, analysed our activities, and established a set of objectives that enables us to move forward in a cost-effective manner.

Our 1998 objectives were to:

- *raise additional capital to preserve and enhance key assets*
- *institute cost-saving measures commensurate with the Company's objectives*
- *focus on projects with the greatest potential to deliver shareholder value*
- *continue to pursue solutions to key exploration criteria for the discovery of large, economic Prairie Gold deposits*
- *sign additional co-development agreements with operators of heavy oil sands projects in the Athabasca region of northeast Alberta*
- *enter into a joint venture to explore for diamonds on our northeast Alberta lands*
- *release properties that in current market conditions do not meet our exploration criteria*
- *stay focused on initiatives that have provided the incentive for shareholders to acquire and retain a position in Birch Mountain*

Birch Mountain made significant progress toward achieving these objectives in 1998.

Our achievements are highlighted by:

- generating $2.7 million since January 1998 in a fiscal environment that has been extremely difficult for junior mining companies
- the cooperation of management and staff in reducing general and administrative expenses by approximately 40%
- establishing the Prairie Gold model as a member of a continuum of low temperature, sediment-hosted, precious metal deposit types
- advancing our ability to identify altered sedimentary rocks, and furthering the development of analytical protocols for determining their precious metal content
- identifying Prairie Gold targets and drilling five holes in Athabasca to test sediment-hosted gold and precious metal in limestone horizons
- signing an information-sharing and cooperation agreement with Shell Canada/BHP Diamonds Inc. on the Muskeg oil sands project, and a co-development agreement with Suncor Energy Inc., Oil Sands on the Millennium oil sands project
- drilling eight holes to test kimberlite targets through our joint venture with Lytton Minerals Limited and New Indigo Resources Inc. (since amalgamated to form Tahera Corporation), which did not yield a discovery
- adding highly prospective mineral permits totalling 267,213 hectares (660,297 acres) to our core Athabasca property
- flying airborne magnetic surveys and identifying targets with convincing signatures suggestive of kimberlite-like intrusives on our Birch Mountain permits
- conducting cost-effective field programs in northeast Alberta, Swift River, Yukon, and Dawson Bay, Manitoba to enable informed decisions regarding exploration priorities and retention of land
- significantly reducing non-core lands in Indonesia, Yukon, and Saskatchewan

Our goals for 1999 are to:

- advance our key projects within the constraints of responsible fiscal regimes
- raise additional equity with minimum dilution to shareholders
- complete the development of an analytical protocol that will enable us to accurately determine the precious metal content of the Prairie Gold host rocks
- engage independent, third-party consultants and laboratories to conduct verification tests of analytical protocols for determining precious metal concentrations
- determine the extent and grade of mineralization in Athabasca and Dawson Bay by applying our analytical protocol to a large inventory of drill core
- define mineralized trends and choose follow-up drill targets
- capitalize on opportunities to enhance shareholder value by evaluation and judicious acquisition of properties with Prairie Gold potential
- form strategic alliances with industry partners to augment our financial and technical resources

It is gratifying to have the continued support of our shareholders and the dedication of the board of directors and staff as we progress toward achieving the technical objectives that will ultimately lead to shareholder value.

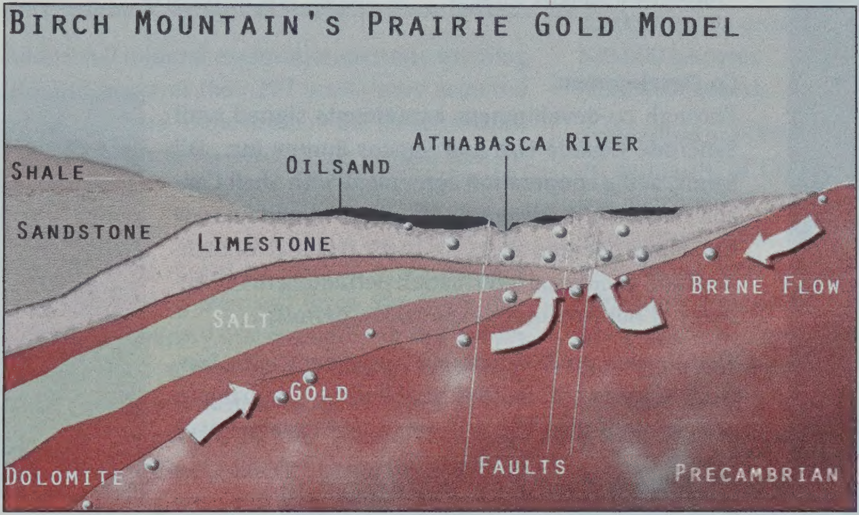
Douglas J. Rowe, P.Eng.
President & CEO

Exploration 1998

Birch Mountain's Prairie Gold Model

In 1998, Birch Mountain advanced toward defining a significant precious metal resource on our Athabasca property in northeastern Alberta. Here, the Company's exploration is guided by the Prairie Gold model, which provides the underlying theoretical explanation for the formation of a precious metal deposit within altered Devonian limestone in the region.

Birch Mountain's geologists have developed and refined the Prairie Gold model, which shows how low-temperature hypersaline brines carry precious metals to sites of mineral deposition within zones of faulting and structural disturbance. Rocks associated with these zones have been altered, and exhibit mineralogical, textural, and geochemical characteristics distinct from their unaltered counterparts.



As a result of Birch Mountain's work in Athabasca, the Prairie Gold model is now understood to be a low-temperature variant of sediment-hosted precious metal deposits, represented by gold mines of the Carlin trend in Nevada and elsewhere. As in Nevada, we recognize the importance of deeply penetrating faults in providing conduits for precious metal-rich brine flow, and the role of contacts between sedimentary rocks of contrasting properties in localizing mineral deposition.

Birch Mountain believes that the Prairie Gold deposits in Athabasca and elsewhere may soon be recognized as an emerging frontier in the development of large tonnage, sediment-hosted deposits of gold, platinum, palladium, and other precious metals.

Northeast Alberta

Prairie Gold

A private placement completed late in 1998 enabled Birch Mountain to complete a five-hole, 560-metre drill program in Athabasca. Four holes were drilled within 100 metres of a hole cored by Syncrude Canada Ltd. in 1995 (11-07-AE-96-10W4), which returned 2.21–4.94 grams/tonne of platinum and 0.19–0.21 grams/tonne of gold from three different fire assays of a 1.6-metre interval. One hole was drilled on Tintina Mines/NSR Resources' Fort McKay lease, on which Birch Mountain holds an option to acquire 51% working interest. All five drill holes intersected rocks exhibiting lithologies and alteration similar to the rocks that host the platinum/gold intersection in drill hole 11-07-AE-96-10W4.

Samples from these five cores, and from surface bulk samples collected in 1998, add to the core sample base derived from earlier exploration, including those obtained from more than 150 drill cores from the area of Syncrude Canada Ltd.'s Aurora Mine.

These samples are key for the ongoing development of Birch Mountain's Prairie Gold model, and the establishment of a precious metal resource in Athabasca. Our new understanding of the relations between precious metal mineralization, structure, and alteration has led us to recognize that accurate and reliable determination of the concentrations of precious metals is only possible if the mode of precious metal occurrence is taken into account.

The Company has contracted independent consultants and laboratories to conduct third-party tests of the analytical protocols that we are developing.

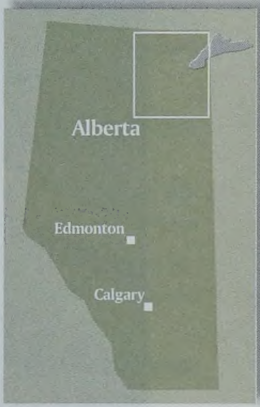
The Company's 1999 activities in Athabasca will be fully directed toward the establishment of a precious metal resource.

Summary—Northeast Alberta Work Program, 1998

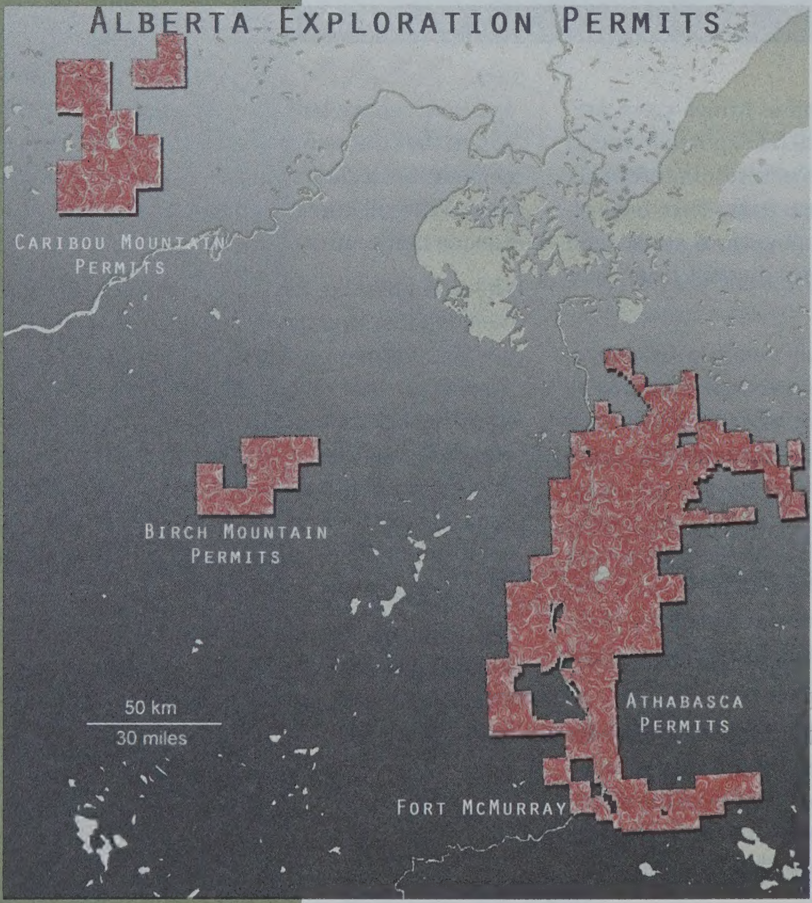
Land holdings:		
Athabasca permits	791,603	hectares (1,956,092 acres)
Birch Mtn permits	82,944	hectares (204,959 acres)
Caribou Mtn permits	175,104	hectares (432,691 acres)
Holes drilled:		
Prairie Gold exploration	5	totalling 560 m (1,837′)
Diamond exploration	8	totalling 1,066 m (3,497′)
Drill core rock samples	256	samples
Airborne magnetic surveys	5,300	line kilometres

Co-Development

Through co-development agreements signed with Syncrude Canada Ltd. and Suncor Energy Inc., Oil Sands, and a cooperation agreement with Shell Canada Limited/BHP Diamonds Inc., Birch Mountain now has unprecedented access to a vast resource of technical and geological information pertaining to the geology of our Athabasca exploration permits.



The pioneer co-development agreement with Syncrude Canada Ltd. in 1997 enabled the Company to sample more than 150 drill cores, and examine over 275 electric logs, from holes drilled within the Syncrude Canada Ltd. Aurora Mine development area.



In 1998, similar agreements were signed with Shell Canada Limited/ BHP Diamonds Inc. and Suncor Energy Inc., Oil Sands, that are expected to provide additional benefits to Birch Mountain as future oil sands development extends across the Company's Athabasca exploration permits.

Discussions have begun with other potential oil sands operators, and additional co-development agreements may be finalized in 1999.

Diamonds

Birch Mountain maintained a foothold in the Alberta diamond play in 1998. Eight holes were drilled on six kimberlite targets defined by airborne and ground magnetic surveys on the Athabasca property, through a joint venture agreement with operator Lytton Minerals/New Indigo Resources, since merged to form Tahera Corporation.

No intrusive kimberlite bodies were intersected by drilling, and no explanation for the anomalous magnetization was found, although one interpretation suggests that demagnetization of basement rocks along deeply penetrating faults by fluids related to the Prairie Gold model could produce magnetic signatures similar to those drilled.

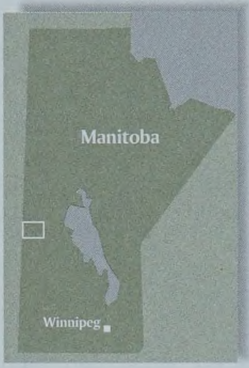
Additional mineral exploration permits totalling 267,213 hectares (660,297 acres) were acquired adjacent to and to the north of the main Athabasca permit block, to cover lands prospective for diamonds.

The Company's diamond exploration has been advanced by the recent completion of an airborne magnetic survey over our Birch Mountain permits. A preliminary interpretation of this survey has identified at least nine anomalies with magnetic signatures similar to those exhibited by kimberlites discovered by the Ashton Mining of Canada Inc./Alberta Energy Company Ltd./Pure Gold Minerals Inc. joint venture in the Buffalo Head Hills in north-central Alberta. The Birch Mountain block borders the north side of the Kennecott Canada Exploration Inc./Montello Resources Ltd./Redwood Resources Ltd. joint venture property, which contains at least one diamondiferous kimberlite. The Caribou Mountain permit block located approximately 120 kilometres north of the Birch Mountain permit block remains untested.

Dawson Bay, Manitoba

Prairie Gold

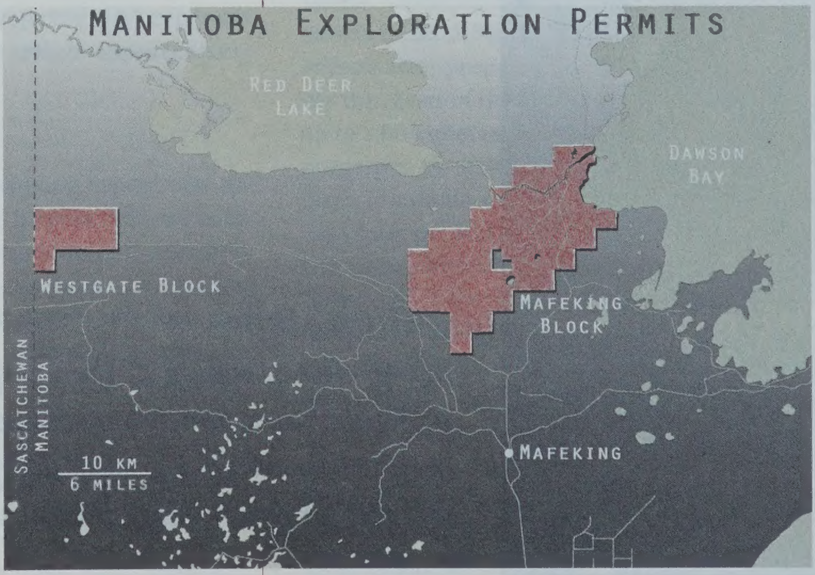
In 1998, Dawson Bay Minerals Inc., a wholly owned subsidiary of Birch Mountain Resources Ltd., advanced its Dawson Bay property to the drill-targeting stage. The Dawson Bay property is held as Special Exploration Permit 96-1, which was acquired late in 1996 to cover areas prospective for Prairie Gold deposits in the Dawson Bay region of west-central Manitoba.



The Company's interest in this property was reduced early in 1998 to two exploration blocks covering 15,073 hectares (37,246 acres), from its original 530,000 hectares (1,309,657 acres).

Exploration in 1998 consisted primarily of follow-up soil geochemical surveys in anomalous areas discovered during 1997 field exploration. Soil samples with anomalous gold and platinum values corroborate and more precisely define 1997 soil geochemical anomalies. A number of new precious and base metal anomalies associated with interpreted structures were also discovered.

Based on these results, the Company has identified three locations that warrant detailed ground surveys followed by drill testing, and has applied to extend its land holdings in the Dawson Bay area.



Summary—Dawson Bay, Manitoba Work Program, 1998

Land holdings	15,073 hectares (37,246 acres)
Soil geochemical surveys	302 B-horizon soils sampled, analysed

Swift River, Yukon—Base Metals

Birch Mountain conducted a three-week field program at our Swift River, Yukon, property in summer 1998, leading to the discovery of a number of new base metal showings. Subsequently, Birch Mountain elected not to continue its option to acquire a 100% working interest in First Yukon Silver's Swift River property. Some additional claims staked in 1997 by Birch Mountain have expired, while others have had sufficient exploration assessment expenditures filed to maintain them in good standing until April 10, 2001. The Company has no plans to conduct further exploration at Swift River.

Summary—Swift River, Yukon Work Program, 1998

Land holdings	3,563	hectares (8,804 acres)
Surface rock samples	172	rocks sampled, analysed
Stream geochemical surveys	6	stream sediments sampled, analysed

Indonesia

The Company has advised the Government of Indonesia that it intends to relinquish its Contract of Work on the Sintang prospect in West Kalimantan. Although exploration activity has resulted in the discovery of two new epithermal gold prospects, results do not justify further expenditures on this prospect.

"We have made a quantum step in our understanding of the nature of Prairie Gold mineralization, which has allowed us to make real progress toward our goal of developing a reliable method for determining precious metal grades."

Management's Discussion & Analysis

Management's discussion and analysis describes Birch Mountain's operating and financial results for the years ended December 31, 1998 and 1997.

Capital Programs

The Company spent a total of $2.3 million on exploration in 1998, with 74% of that amount directed to our Athabasca project. Included in the $1.7 million spent on exploration on the Athabasca project is approximately $1.5 million that was recovered from Lytton Minerals Limited and New Indigo Resources Inc. (now Tahera Corporation), under the terms of a diamond joint venture negotiated in January 1998.

	$Million	
Project	1998	1997
Athabasca	1.7	1.2
Co-development	–	0.1
Dawson Bay	0.2	0.3
Swift River	0.2	1.1
Indonesia	0.2	1.2
	2.3	3.9

General and Administrative Expenses

In 1998, general and administrative cash expenses were $0.67 million, compared with $1.08 million in 1997, a reduction of 40%. To preserve working capital, the Company reduced expenditures in all areas in 1998. The President accepted shares as partial compensation for salary, and the staff and consultants agreed to a voluntary reduction in salary and fees. Projected G&A expenses for 1999 are expected to remain approximately the same.

Liquidity

At December 31, 1998, working capital was approximately $0.27 million. Early in 1999, we completed a private placement, adding approximately $1.05 million. We believe that junior mining companies will continue to have difficulty financing new issues in the current market. As a result, we will continue to prudently minimize our exploration expenditures and general and administrative costs to preserve our working capital. We expect to raise additional funds later in 1999, pending favourable exploration results.

Financing

Our diamond joint venture with Tahera Corporation provided $390,000 in cash and 217,000 common shares of Lytton Minerals Limited to Birch Mountain.

In February 1998, we completed a non-brokered private placement of 204,074 units at a price of $0.70 per unit, for aggregate proceeds of $142,852. Each unit consisted of one common share and one common share purchase warrant of Birch Mountain. Each warrant entitled the holder to purchase one additional common share at an exercise price of $1.00 for a period of two months expiring April 20, 1998. The warrants expired unexercised.

In November 1998, we completed a non-brokered private placement of 1,172,860 units at a price of $0.35 per unit, for aggregate proceeds of $410,000. Each unit consisted of one flowthrough common share and one-half common share purchase warrant of Birch Mountain. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $1.00 for a period of one year, expiring November 13, 1999.

During the year, employees, consultants, and directors of the Company exercised an aggregate of 47,000 stock options pursuant to Birch Mountain's stock option plan.

We disposed of all of our shares in Tintina Mines Limited, for proceeds of $25,000.

We are anticipating the return of our deposit from Indonesia in 1999; this will net approximately $100,000 to Birch Mountain.

Athabasca Diamond Joint Venture

The Company entered into an agreement with Tahera Corporation to explore jointly for diamonds on Birch Mountain's 775,000 hectare (1.9 million acre) property in northeast Alberta. Under the terms of the agreement, Tahera may earn up to a 60% interest in the diamond rights on the properties by making a payment of $390,000 to Birch Mountain to acquire certain exploration data from us, and by spending $4.5 million dollars on exploration within 4 years. At that point, Tahera will have the option to carry the project forward through completion of a bankable feasibility study, to earn an additional 15% in the diamond rights. At the end of 1998, Tahera had spent approximately $1.5 million on the joint venture, and was required to spend an additional $0.43 million before January 19, 2000 to achieve a minimum earn-in position of 30% in the lands. Tahera elected not to participate in an airborne survey of the Birch Mountain permits. These permits, totalling approximately 83,000 hectares (205,010 acres), have been removed from the joint venture lands.

Fort McKay Property Agreement

Birch Mountain, Tintina Mines Limited, and NSR Resources Inc. agreed to amend the Fort McKay Property Agreement, to provide Birch Mountain with an additional year to continue its evaluation of the 2,300 hectare (5,681 acre) property on the Athabasca River north of Fort McMurray. The expiry date on the option was amended to September 18, 1999, in exchange for Birch Mountain drilling an exploration hole on the property. The option to acquire an undivided 51% interest in the property for an exercise price of $1.2 million was extended, and the drilling requirements have subsequently been met.

Co-Development Agreements

Syncrude Canada Ltd. and Birch Mountain signed a co-development agreement in 1997 which provides for cooperative regulatory, exploration, development, and production activities on Syncrude's Aurora lands in northeastern Alberta. In May 1998, we signed a similar agreement with Suncor Energy Inc., Oil Sands, on its Millennium Project lands. In March 1998, we signed an information sharing and cooperation agreement with Shell Canada/BHP Diamonds Inc. on Oil Sands Lease 13. The oil sands companies hold the oil sands rights to the project lands on which Birch Mountain holds the metallic and industrial mineral rights. These agreements formalize the working relationship between Birch Mountain and the oil sands operators to facilitate development of the resource potential in the Athabasca region.

Property Write-Down

Following an evaluation of our exploration properties, we determined that write-downs of the carrying values of certain assets were required. A $2.27 million charge was recorded that related to the following properties:

	$Million	
Project	**1998**	**1997**
Indonesia	0.72	2.18
Dawson Bay	–	0.22
Athabasca	0.02	0.19
Swift River	1.50	–
British Columbia	–	0.41
Saskatchewan	0.03	–
	2.27	3.00

Land Holdings

The accumulation and maintenance of extensive land holdings is a key component of Birch Mountain's exploration strategy. Our cumulative land holdings total approximately 1,068,287 hectares (2,638,669 acres), the majority of which are related to Prairie Gold prospects.

	Area	
Project	**hectares**	**acres**
Athabasca	791,603	1,956,092
Birch Mountain	82,944	204,959
Caribou Mountain	175,104	432,691
Dawson Bay	15,073	37,246
Yukon Territory	3,563	8,804
	1,068,287	2,638,669

Birch Mountain maintains a 100% interest in most of the exploration lands. In the central portion of our Athabasca property, virtually all of the proposed future commercial heavy oil projects overlie our mineral exploration permits and leases. In 1998, we concentrated on strengthening our position in Athabasca and Dawson Bay while reducing it elsewhere.

Additional mineral exploration permits totalling 267,213 hectares (660,016 acres) were acquired in 1998 adjacent to and north of the main permit block at Athabasca for the purposes of diamond exploration.

We have filed assessment reports on the Athabasca, Birch Mountain, and Caribou Mountain permits with the Alberta government that will satisfy our exploration commitment until February 2000.

Subsequent to December 31, 1998, we have applied to extend our land holdings in the Company's Dawson Bay prospect after completing interpretation of exploration data.

During 1998, Birch Mountain acquired a 50% interest in a property in Saskatchewan for diamond exploration, which was relinquished after completion and examination of airborne geophysical data.

Birch Mountain elected not to extend its option to purchase a 100% interest in certain mineral claims in the Yukon in the Swift River prospect. However, we have maintained certain mineral rights in the area totalling 3,563 hectares (8,800 acres).

In 1998, we advised the Government of the Republic of Indonesia and our 10% joint venture partner that we were relinquishing our Contract of Work on the Sintang prospect in West Kalimantan.

During 1998, we elected not to conduct further work on a 51% interest in 2,965 hectares (7,324 acres) in northwestern Saskatchewan and a 100% interest in 82,944 hectares (204,872 acres) in northwestern Alberta, and did not retain our interest in these properties.

Special Places 2000

Certain lands in northeast Alberta are subject to nomination for preservation under the Special Places 2000 initiative of the Alberta Government. At this time, the impact of the Special Places 2000 nomination can not be properly assessed, but it is expected to affect less than 17% of Birch Mountain's total land holdings.

Corporate Organization

Danfort Development Limited, a wholly owned subsidiary of Birch Mountain Resources Ltd., is owned by Rockyview Development. In turn, Birch Mountain Resources Ltd. owns 100% of Rockyview Development. Rockyview Development and Danfort Development Limited are registered and in good standing in the British Virgin Islands.

Safety, Health, and Environmental Management

Birch Mountain has implemented a formal policy with respect to the safety, health and environmental aspects of our business activities. Recognizing the safety, health and environmental risks inherent to our business, we commit to:

- identify, evaluate and manage the safety, health and environmental risks associated with our activities and operations;
- conduct our activities and operations in compliance with environmental, occupational health, and safety legislation, and meet or surpass recognized industry standards;
- establish appropriate emergency response procedures and test these procedures on a regular basis;
- ensure that all employees are provided with the resources and training required to meet these commitments; and
- define the safety, health and environmental standards for contractors, consultants and agents and ensure they understand that they are accountable for their performance.

Year 2000 (Y2K) Computer Compliance

Management of Birch Mountain does not anticipate that the year 2000 will materially adversely effect its operations. Birch Mountain's information technology infrastructure is based exclusively on Apple Macintosh and 32-bit Microsoft Windows operating system platforms. These platforms are certified by their respective vendors to be Y2K compliant. We do not intend to introduce any additional operating systems prior to the year 2000.

The Company does not presently expect the amount required to be expensed on the Year 2000 issue to have a material effect on its financial position or results of operations. However, there can be no assurance that the systems of other companies with which Birch Mountain has ongoing relationships will be Year 2000 compliant, and Birch Mountain cannot estimate whether or not they will have a material effect on its ability to conduct normal business operations.

Management's Responsibility for Financial Statements

The accompanying financial statements and information in the Annual Report are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not completed at the date of the balance sheet. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principals.

The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the financial statements. Management maintains systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained, to provide reliable information for the preparation of the financial statements.

Barr Shelley Stuart, Chartered Accountants, appointed by the shareholders, have examined the financial statements, and have provided an independent professional opinion. Their audit was conducted in accordance with generally accepted audit standards in Canada. The audit committee has reviewed these statements with management and the auditors, and has reported to the board of directors. The board has approved the financial statements.

Donald L. Dabbs
CFO & Director

Auditors' Report to Shareholders

We have audited the consolidated balance sheets of Birch Mountain Resources Ltd. as at December 31, 1998 and 1997, and the consolidated statements of loss and deficit and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997, and the results of its operations and changes in its cash flow for the years then ended, in accordance with generally accepted accounting principles.

Barr Shelley Stuart

Chartered Accountants
Calgary, Alberta
March 30, 1999

Consolidated Balance Sheets

At December 31

	1998	1997
Assets		
Current		
Cash and term deposits (note 5)	$ 475,188	$ 719,316
Accounts receivable	142,057	185,435
Prepaids and deposits	191,410	349,218
	808,655	1,253,969
Investment (note 6)	36,890	130,000
Capital (note 7)	146,714	215,423
Mineral exploration costs (note 8)	5,522,268	7,269,931
	$ 6,514,527	$ 8,869,323
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 536,223	$ 515,950
Shareholders' Equity		
Share capital (note 9)	16,562,977	15,720,950
Deficit	(10,584,673)	(7,367,577)
	5,978,304	8,353,373
	$ 6,514,527	$ 8,869,323

Approved on behalf of the Board of Directors

Director

Director

Consolidated Statements of Loss & Deficit

Years ended December 31

	1998	1997
Expenses:		
Salaries, management fees, and benefits	$ 227,080	$ 461,160
Office	176,104	233,619
Shareholder services and promotion	132,844	266,619
Legal and audit	131,085	121,957
Amortization	70,258	60,789
Loss before the following	737,371	1,144,144
Interest and other income	(38,316)	(130,835)
Loss on disposal of investment	105,000	–
Write-down of investments	143,220	529,267
Write-down of mineral exploration costs (note 8)	2,269,821	2,996,903
	2,479,725	3,395,335
Net loss for the year	3,217,096	4,539,479
Deficit at beginning of year	7,367,577	2,828,098
Deficit at end of year	$10,584,673	$ 7,367,577
Loss per share (note 10)	$(0.14)	$(0.21)

Consolidated Statements of Cash Flow

Years ended December 31

	1998	1997
Cash provided by (used in):		
Operating activities:		
Net loss for the year	$(3,217,096)	$(4,539,479)
Add items not involving a current cash outlay:		
Amortization	70,258	60,789
Loss on disposal of investment	105,000	–
Write-down of investments	143,220	529,267
Write-down of mineral exploration costs	2,269,821	2,996,903
	(628,797)	(952,520)
Net changes in working capital balances related to operating activities	221,459	112,055
	(407,338)	(840,465)
Financing activities:		
Issuance of common shares for cash	389,168	778,818
Issuance of common shares for mineral rights	465,920	–
Share issuance costs	(13,061)	(1,274)
	842,027	777,544
Investing activities:		
Purchase of investment	(180,110)	(10,753)
Proceeds on disposal of investment	25,000	–
Purchase of capital assets	(1,549)	(107,457)
Mineral exploration costs	(522,158)	(3,933,289)
	(678,817)	(4,051,499)
Decrease in cash	(244,128)	(4,114,420)
Cash at beginning of year	719,316	4,833,736
Cash at end of year	$ 475,188	$ 719,316

Notes to the Consolidated Financial Statements

Years ended December 31, 1998 and 1997

1. **Nature of operations and going concern considerations**

   Birch Mountain Resources Ltd. is in the process of exploring its mineral properties, and has not yet determined whether the properties contain economically recoverable reserves. The Company's ability to continue as a going concern is largely dependent on its success in obtaining sufficient funds to carry out exploration activities on its mining claims, preserving its interest in the underlying mineral claims, establishing the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete development and achieve future profitable production, or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. It is not possible to predict whether financing efforts will be successful, or if the Company will attain profitable levels of operation.

2. **Basis of consolidation**

   These financial statements include the operations of the Company and its wholly owned subsidiaries, Dawson Bay Minerals Inc., Swift River Minerals Ltd., 777195 Alberta Inc., and Rockyview Development Limited and its subsidiaries.

3. **Significant accounting policies**

   a) Mineral exploration costs
   Mineral properties are recorded at cost. Cost includes cash consideration and the market value of shares issued, if any. All direct and indirect acquisition and exploration expenditures are capitalized, and deferred until the properties to which they relate are placed into production, sold, allowed to lapse, or abandoned. These costs will be amortized over the estimated useful lives of the properties following the commencement of production, or written off if the properties are sold, allowed to lapse, or abandoned. The Company assesses the carrying value of these mineral exploration costs annually, and, based on estimates, adjusts the carrying amount for any impairment in value.

   Properties acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

   b) Capital assets
   Capital assets are recorded at cost. Amortization is recorded at the following annual rates:

Equipment	20%–30% declining balance
Computer software	100% declining balance
Computer hardware	30% declining balance
Automotive	30% declining balance
Leasehold improvements	20% straight line

   Amortization is charged at one half of the annual rate in the year of acquisition of an asset.

   c) Deferred income taxes
   The Company follows the tax allocation basis in accounting for income taxes. Income tax legislation permits the flowthrough to shareholders of income tax deductions relating to certain qualified mining expenditures. This gives rise to deferred taxes which are deducted from the carrying cost of the mineral exploration costs and the proceeds of share capital when the expenditures are renounced.

d) Measurement uncertainty
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral exploration costs, reclamation obligations, and capital and other taxes. Financial results as determined by actual events could differ from those estimates.

4. **Acquisition**

During 1998, the Company acquired all of the outstanding shares of 777195 Alberta Inc., which held certain mineral rights in the Athabasca region. The cost of the acquisition, which was accounted for using the purchase method, consisted of $25,000 cash and 770,000 common shares of the Company. The purchase price has been allocated to mineral exploration costs.

5. **Cash and term deposits**

	1998	1997
Cash available for use	$456,188	$260,213
Cash subject to restriction	19,000	459,103
	$475,188	$719,316

Cash subject to restriction represents amounts on deposit as security for letters of credit to the governments of Alberta and Manitoba. The 1997 amount includes a deposit with the Government of Indonesia.

6. **Investment**

	1998	1997
Tintina Mines Limited	$ –	130,000
Tahera Corporation	36,890	–
	$36,890	130,000

During 1998, the Company disposed of all of its shares in Tintina Mines Limited, for proceeds of $25,000. The cost of the Company's investment in 217,000 shares of Tahera Corporation, formerly Lytton Minerals Limited, has been written down to reflect its market value at December 31, 1998. The shares are restricted from trading until May 21, 1999.

7. **Capital assets**

	1998		1997	
	Cost	Net Book Value	Cost	Net Book Value
Equipment	$154,518	$ 82,074	$154,518	$101,413
Computer	169,629	52,136	168,080	96,293
Automotive	34,090	11,693	34,090	16,704
Leasehold improvements	1,583	811	1,583	1,013
	$359,820	$146,714	$358,271	$215,423

8. **Mineral exploration costs**

	Balance, 31 Dec 1997	Additions During Year	Write-down During Year	Balance, 31 Dec 1998
Alberta	$6,119,514	$ 263,560	$ 17,289	$6,365,785
Saskatchewan	–	34,057	34,057	–
Yukon	1,328,191	173,854	1,502,044	1
Manitoba	72,226	18,981	–	91,207
Indonesia	500,000	216,431	716,431	–
Deferred tax effect of flow-through share renouncement	(750,000)	(184,725)	–	(934,725)
	$7,269,931	$ 522,158	$2,269,821	$5,522,268

	Balance, 31 Dec 1996	Additions During Year	Write-down During Year	Balance, 31 Dec 1997
Alberta	$4,971,346	$1,335,061	$ 186,893	$6,119,514
British Columbia	374,585	34,328	408,913	–
Yukon	250,242	1,077,949	–	1,328,191
Manitoba	–	288,905	216,679	72,226
Indonesia	1,487,372	1,197,046	2,184,418	500,000
Deferred tax effect of flow-through share renouncement	(750,000)	–	–	(750,000)
	$6,333,545	$3,933,289	$2,996,903	$7,269,931

Included in mineral exploration costs are properties having a book value of approximately $2,406,000 (1997—$1,905,000), which have no cost base for tax purposes.

a) Alberta
The Company holds significant mineral rights interests in the Athabasca region of northern Alberta. During 1997, the Company entered into an option agreement whereby the Company can earn a 51% interest in additional lands in the region with a payment of $1,200,000 on or before September 18, 1999.

The Company is party to Co-development Agreements with Syncrude Canada Ltd. and Suncor Energy Inc., Oil Sands, and to a cooperation agreement with Shell Canada Limited/BHP Diamonds Inc. The agreements provide for a cooperative development of the lands by bringing together the holder of the oil sands rights and the holder of the metallic and industrial mineral rights.

During 1998, the Company entered into various agreements with Tahera Corporation (formerly Lytton Minerals Limited) involving certain exploration data and diamond rights in the area. Under the agreements, the Company received $390,000 for the sale of exploration data, and 217,000 shares of Tahera Corporation for an option granted for diamond rights. The interest which could be earned by Tahera ranges from 30% to 75%, dependent on the level of exploration expenditures.

During 1998, the Company acquired additional mineral rights in the area through the issue of shares. Certain lands in northeast Alberta are subject to nomination for preservation under the Special Places 2000 initiative of the Alberta Government. The impact of the Special Places 2000 nomination cannot be properly assessed, at this time.

The Company has filed an assessment report with the authorities which management believes will satisfy the Company's exploration commitment to date. The next filing of assessment is due February 2000.

b) Saskatchewan
Certain Saskatchewan property was acquired during 1998. The related costs have been written off, as the Company has no plans to become active in this area.

c) The Yukon

The Company did not exercise its option to purchase a 100% interest in the Swift River property in the Yukon, and has accordingly written off costs related to this project. The Company maintains certain mineral rights in the area, as expenditure requirements have been met.

d) Manitoba

The Company's exploration activity in Manitoba is in the Dawson Bay area. Based on the results of an exploration program, the Company has retained the land holdings of greatest interest, and applied for additional land holdings.

e) Indonesia

Through its subsidiaries, the Company was paying 100% of the costs to earn a 90% interest in an exploration program being conducted in the province of West Kalimantan, in the Republic of Indonesia.

The Company has advised the Government of Indonesia and its joint venture partner that it intends to relinquish its Contract of Work on these properties, and, accordingly, all mineral exploration costs related to this project have been written off.

These financial statements include $246,500 (1997—$194,000) of accounts payable relating to the estimated cost of discontinuing the Indonesian operations, and $175,000 (1997—$175,000) of deposits with the Indonesian Government.

9. Share capital

The Company is incorporated under the jurisdiction of the Business Corporations Act of Alberta.

a) Authorized capital

Unlimited number of common voting shares
Unlimited number of preferred shares, issuable in series
Unlimited number of non-voting shares

b) Issued

Common Shares	Number	Amount
Balance December 31, 1996	**19,583,295**	**$14,943,406**
Issued for cash:		
Series A warrants exercised	2,523,127	756,938
Stock options exercised	62,000	21,880
	22,168,422	15,722,224
Share issuance costs	–	(1,274)
Balance December 31, 1997	**22,168,422**	**$15,720,950**
Issued for cash:		
Common shares	204,074	142,852
Flow through shares net of tax benefits renounced of $184,725	1,172,860	225,776
Stock options exercised	47,000	5,540
Issued for payment of salary	65,217	15,000
Issued for acquisition of 777195 Alberta Inc. (note 4)	770,000	431,200
Issued for mineral rights	59,500	34,720
	24,487,073	16,576,038
Share issuance costs	–	(13,061)
Balance December 31, 1998	**24,487,073**	**$16,562,977**

During 1997, the Company issued 2,523,127 common shares upon the exercise of the Series A warrants. These warrants entitled the holder to purchase one common share for each whole warrant plus $0.30.

During 1998, the Company completed a private placement of 204,074 units at $0.70, for aggregate proceeds of $142,852. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one common share at $1.00 until April 12, 1998. The warrants expired without being exercised.

The Company issued, by way of private placement, 1,172,860 flowthrough units for aggregate proceeds of $410,500. Each unit consists of one common share and one half common share warrant. At December 31, 1998, the Company had incurred and renounced approximately $289,000 of its obligation.

The Company entered into an agreement with a management employee whereby a portion of salary would be paid through the issuance of common shares. The agreement results in the issuance of 130,434 common shares at $0.23 per share for a six-month period expiring March 31, 1999.

Subsequent to the year end, the Company completed a private placement of 2,900,000 units, of which 1,450,000 had flowthrough benefits. Each $0.36 unit consists of one common share and one half common share purchase warrant. Each whole common share purchase warrant entitles the holder to one common share at a purchase price of $1.00.

c) Preferred shares
An unlimited number of preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, and conditions attached to the shares of each series.

d) Reserved for issue
Options:
The Company has a stock option plan under which the board of directors can grant options to purchase common shares to senior employees, consultants, and directors.

The Company has granted options on common shares as follows:

Date Granted	Price/ Share	Expiry Date	At 31 Dec 1997	Issued	Exercised	Expired/ Cancelled	At 31 Dec 1998
Nov 1994	0.10	Nov. 1999	40,000	–	40,000	–	–
Jul 1995	0.76	Jul. 2000	150,000	–	–	–	150,000
Jul 1995	0.59	Jul. 2000	143,000	–	–	78,000	65,000
Jul 1995	0.38	Jul. 2000	400,000	–	–	200,000	200,000
Sep 1995	1.06	Sep. 2000	600,000	–	–	350,000	250,000
Jan 1996	0.70	Jan. 2001	300,000	–	–	100,000	200,000
Nov 1996	0.70	Nov. 2001	150,000	–	–	–	150,000
Jan 1997	0.70	Jan. 2002	75,000	–	–	–	75,000
Mar 1997	0.70	Mar. 2002	125,000	–	–	–	125,000
Jun 1997	0.70	Jun. 2002	30,000	–	–	–	30,000
Mar 1998	0.22	Mar. 2003	–	150,000	7,000	–	143,000
Jul 1998	0.22	Jul. 2003	–	210,000	–	–	210,000
Nov 1998	0.35	Nov. 2003	–	600,000	–	–	600,000
			2,013,000	960,000	47,000	728,000	2,198,000

During 1998, certain options originally granted at prices ranging from $1.55 to $2.75 were re-priced at $0.70 per share.

Warrants:
During 1996, in conjunction with a private placement, the Company issued 1,676,000 special warrants. These warrants expired April 11, 1997 without being exercised.

During 1998, in conjunction with the offering of flowthrough shares, the company issued 586,430 warrants. Each warrant entitles the holder to purchase one common share of the Company for $1.00 until November 13, 1999.

e) Escrowed shares

Under the requirements of the Alberta Securities Commission and the Alberta Stock Exchange, 12,483,040 common shares issued in connection with the Company's initial listing as a Junior Capital Pool Corporation, its major transaction, and its initial public offering were held in escrow. At December 31, 1998, all of these shares have been released from escrow.

Under the terms of a voluntary pooling agreement, an additional 8,528,366 common shares were placed in escrow, to be released equally over five years. The remaining 5,117,022 common shares are still held in escrow, and will be released over the next three years.

10. Loss per common share

The net loss per common share was calculated using the weighted average number of common shares outstanding of 22,934,000 shares (1997—21,935,000 shares). The effect of the stock options and warrants on the loss per share is anti-dilutive.

11. Continuing obligations

The Company rents premises and equipment under operating leases requiring annual payments over the next five years as follows:

1999	$173,310
2000	$173,310
2001	$168,540
2002	$166,950
2003	$166,950

12. Related party transactions

During the year, the Company had the following transactions with related parties:

- included in mineral exploration costs are amounts paid for aircraft usage and airborne surveying services of $33,000 (1997—$27,606) to a company controlled by a director
- included in salaries, management fees, and benefits are management fees aggregating $8,817 (1997—$102,022) which were paid to companies employing the services of a director
- included in shareholder services and promotion are amounts of $Nil (1997—$38,316) paid to a company controlled by the spouse of a director

13. Income taxes

At December 31, 1998, the Company had approximately $9 million (1997—$8.3 million) of tax deductions available to be applied against future years' income for income tax purposes. These deductions consist of Canadian mining exploration costs and undepreciated capital cost allowance, all of which are available for carryforward indefinitely.

The Company also has available capital losses of $625,000 (1997—$Nil) and non-capital losses of $1,499,000 (1997—$1,166,000) available to be carried forward and applied against future income for income tax purposes, as follows:

To 2001	$ 176,000
2002	387,000
2003	306,000
2004	297,000
2005	333,000
	$1,499,000

The Company has non-refundable investment tax credits available in the amount of $38,000 (1997—$38,000), to be carried forward against future income taxes payable to 2005.

The Company also has research and development costs available in the amount of $211,000 (1997—$211,000), to be carried forward against future income for income tax purposes, indefinitely.

The potential benefits relating to all of the above items have not been recorded in the financial statements.

14. Segmented information

The Company's principal business segment is the acquisition, exploration, and development of mineral properties. All of the Company's properties are in the exploration stage. The Company's current activities are focused in western Canada, as detailed in Note 8.

15. Uncertainty Due to Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Directors, Staff, and Consultants

Directors

Douglas J. Rowe, P.Eng. President and CEO Calgary, Alberta	Co-founder of Birch Mountain Resources, Doug has been President and Chairman of the Board, Brougham Geoquest Ltd., since 1984, and has developed innovative exploration technology for oil, gas, and minerals. Doug is a member of the compensation committee.
Kerry E. Sully, P.Eng. President, CGX Energy Inc. Vancouver, British Columbia	Former President, CEO, and Director of Ranchmen's Resources Ltd., Kerry has more than 25 years of oil and gas experience. He was also Vice President of Corporate Development for Total Energold, a gold mining company in British Columbia. Kerry is Chairman of the Board of Birch Mountain, and a member of both the audit and compensation committees.
Donald L. Dabbs, M.Sc., P.Ag. CFO and Director Calgary, Alberta	President and CEO of Niaski Environmental Inc., and co-founder of Birch Mountain Resources, Don has over 25 years of consulting experience in environmental management and regulatory applications to provincial and federal governments. He has also consulted to major resource developments in western and northern Canada, including those in the Athabasca oil sands. Don is a member of the audit committee.
R. Edward Flood, M.Sc. President, Indochina Goldfields Ltd. Reno, Nevada	Ed has more than 25 years of mining industry experience. As Manager of Project Evaluation for NERCO Minerals, he has assessed operating mines and mining properties in more than 30 countries. With Robertson Stephens & Company, Ed was a research analyst covering the gold industry, and he co-managed the Contrarian Fund.
Myron A. Goldstein, Ph.D. Independent Mining Consultant Denver, Colorado	With more than 35 years of acquisition, exploration, and development experience in precious and base metals, Myron has held many positions in several international mining companies, including Coeur D'Alene Mines and Lac Minerals. He has world-wide mining experience in North and South America, Africa, and Asia.
Lanny K. McDonald Hockey Hall of Fame VP, Corporate Development Calgary Flames Hockey Club Calgary, Alberta	In 1990, after more than 16 years of National Hockey League play, Lanny joined the Calgary Flames as Vice President. Lanny is chairman of the compensation committee, and a member of the audit committee.
John Houghton, LLB. Partner, Donahue & Partners	Mr. Houghton has been engaged in the practice of Law for 20 years and is a partner in the firm Donahue and Partners in Calgary. His practice relates primarily to the identification and resolution of business related matters for a variety of public and senior private corporations. He is past Chairman of the National Business Law Section for the Canadian Bar Association and the Business Law Subsection of Alberta for the Law Society of Alberta.

Staff

Hugh J. Abercrombie, Ph.D. Vice President, Exploration	Before joining Birch Mountain in 1997, Hugh worked with the Geological Survey of Canada, where he studied fluid migration and the deposition of gold and precious metals in sedimentary basins. Hugh has over 20 years of experience in geology, geochemistry, and mineral exploration, and is Past President of the Calgary Mineral Exploration Group.
Kyla Arden, M.Sc. Project Geologist	Kyla joined Birch Mountain as a geologist in 1997. She graduated from the University of Manitoba in 1995 with a Masters degree in Geochemistry. She has considerable experience in geological mapping projects and in laboratory analysis. Kyla is a member of the Calgary Mineral Exploration Group.
William R. Hemstock, B.Sc. Senior Technician	Bill has been with Birch Mountain since its inception as a private company in 1994. He has over 15 years of mineral exploration experience in managing airborne, waterborne, and ground-based geophysical projects. In addition, he spent five years in project management of forest inventory, and preparation of environmental impact statements.
Brett G. Johnson, B.Sc. Exploration Geologist	Brett joined Birch Mountain after graduating from the University of North Dakota with a degree in Environmental Geology in 1996. He has exploration experience in Alberta, Manitoba, British Columbia, and the Yukon. Brett is a member of the Calgary Mineral Exploration Group.
L. Robert Lipsett, B.S. General Manager, Operations	Bob has more than 25 years of experience in project management for resource industries in Canada and in numerous countries throughout the world. Prior to joining Birch Mountain in 1995, Bob was the General Manager for an oil well servicing and joint-venture oil company in Russia. He is a member of the Society of Metallurgical Engineers, the Society of Petroleum Engineers, and APEGGA.
Jane E. Quinn Investor Relations	Jane has been with Birch Mountain since its inception as a private company in 1994. Her background of business experience includes computer operations, office management, and administration management for a number of oil and gas, mapping, and land companies. Jane is a member of the Prospectors and Developers Association of Canada, the Canadian Institute of Investor Relations, and the Calgary Mineral Exploration Group.

Technical Advisors and Consultants

Doug Halbe, P.E.	Doug is an international consultant in gold ore processing. He is an Adjunct Professor at the University of Utah, a fellow of the Australian Institute of Mining and Metallurgy, a member of the American Institute of Mining Engineers, and the Mining and Metallurgical Society of America.
Jim Kozak, CMA H.James Kozak, CMA Associates Calgary, Alberta	Jim has 17 years' experience in corporate banking, 10 years in the natural resource industry, and 8 years in private accounting.
Jon Thorson, Ph.D.	Jon has more than 30 years of exploration experience in minerals and oil and gas, and specializes in sedimentary basin analysis. He is a member of the Society of Economic Geology, the Geologic Society of America, and the Northwest Mining Association.
Glen De Paoli, M.Sc. P.Geol.	Glen received a Masters degree in geology from the University of Calgary in 1994. He has been a consultant for 10 years, providing his expertise in ore deposits and micro-analytical techniques to mineral exploration companies in British Columbia and Alberta, and to the Geological Survey of Canada. Glen is a member of the Calgary Mineral Exploration Group, and APEGGA.

Glossary

Alteration The process of changing the chemical or mineral composition of a rock during formation of a mineral deposit.

Anomaly A value, or location of a value, that is unusual compared to other values in the same data set.

Base metal Readily oxidizable metals of relatively lower value, such as copper, zinc, and lead, which typically occur as sulphides or oxides in mineral deposits.

Basement The crystalline metamorphic and/or igneous rocks which underlie a sequence of unmetamorphosed sedimentary rocks.

Brine Highly saline water containing more than 50 grams per litre of dissolved solids.

Carlin An important gold mining district in Nevada, known for rich occurrences of extremely finely disseminated gold in altered sedimentary rocks.

Cretaceous A geological time period from 135 to 66 million years ago.

Devonian A geological time period from 345 to 405 million years ago.

Disseminated A mineral that is finely dispersed throughout the enclosing rock.

Electric logs A graphical or digital display or record of geophysical measurements taken down a drill hole.

Epithermal A low-temperature fluid-rock system distant from an igneous intrusive heat source.

Fault A surface along which one body of rock has moved relative to another.

Fire assay A high-temperature process involving the melting of a rock to determine its precious metal content.

Igneous A crystalline rock that solidified from molten or partly molten rock.

Intrusive An igneous rock that cooled and solidified at depth.

Kimberlite An igneous intrusive rock originating at great depth, which may contain diamonds.

Limestone A sedimentary rock composed primarily of calcium carbonate.

Lithology Character of a rock formation.

Mineralize A process resulting in the formation of minerals in a rock.

Oil sands Poorly cemented, quartz-rich sandstone containing heavy oil or bitumen.

Peace River Arch A large-scale geological feature trending southwest to northeast across north-central Alberta. It has a complex history, having been both an arch and a depression through time.

Prairie Gold model A model explaining the origin of low-temperature, sediment-hosted, precious metal deposits. In this model, the precious metals are carried in brines of sedimentary origin, and are deposited where oxidation-reduction reactions cause the metals to be precipitated.

Precious metal A group of unoxidizable metals of relatively high value; includes gold, silver, platinum, and palladium.

Sedimentary rock Rocks formed from material derived from the erosion of pre-existing rocks.

Structure The overall geometry of a rock mass, mainly pertaining to its deformation by faulting, fracturing, or folding.

Corporate Data

Common Share Highlights

	31 Dec. 1998	31 Mar. 1999
Common shares issued and outstanding	24,487,073	24,575,531
Outstanding options to management and directors	2,198,000	2,153,000
Common shares via outstanding warrants	586,430	586,430
Fully diluted common shares	**27,271,503**	**27,314,961**
Escrowed common stock	5,117,022	5,117,022
Market float (estimate)	**20,000,000**	**20,000,000**

For more information on common shares, escrowed shares, and stock options, see note 9 in the Notes to the Financial Statements.

Capitalization & Share Distribution

December 31, 1998	
Symbol	BMD
Exchange	Alberta
Shares outstanding	24,487,073
Fully diluted shares	27,271,503
52-week High	$1.00
52-week Low	$0.12
Market capitalization	$7.1 million

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Registrar and Transfer Agent

Montreal Trust Company

Bankers

Hong Kong Bank of Canada

Auditors

Barr Shelley Stuart

Solicitors

Armstrong Perkins Hudson
Donahue & Partners
Koffman Kalef

Conversions

To Convert:	Multiply by:
Acres to hectares	0.405
Hectares to acres	2.47
A ton to a tonne	0.907
A tonne to a ton	1.1
Troy ounces to grams	31.1
Grams to troy ounces	0.032
Metres to feet	3.28
Kilometres to mile	0.62

Annual General and Special Meeting

2:30 pm, June 24, 1999
Angus/Northcote Rooms
Conference Centre
Plus 30 Level

Bow Valley Square II
205 Fifth Avenue SW
Calgary, Alberta, Canada

Shareholders unable to attend the Annual General Meeting are encouraged to complete and return a valid *FORM of PROXY*, which is mailed to all shareholders of record before the meeting.

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B M D

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